

## DEMOGRAPHIC DIVIDEND



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Demographic dividend is the benefit a country gets when its working population outgrows its dependants such as children and old people.



## DEMOGRAPHIC DIVIDEND

This means there are relatively more hands to earn i.e. higher per capita income leading to higher savings and growth.

However, such rapid growth in labour force is **temporary**.

This stage of a country's growth starts with a **demographic transition**. It means a shift from one phase to another.





Let me explain.



## DEMOGRAPHIC DIVIDEND

Developing countries go through **three** demographic phases:



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Phase 1:



## DEMOGRAPHIC DIVIDEND

Improved income and health reduces the infant mortality rate and a baby boom (or population explosion) arises.

This increases the dependency ratio (the number of dependents per income earner).





**Phase 2:**





## DEMOGRAPHIC DIVIDEND

The baby boomers, once regarded as a population curse, grow up to create an unprecedentedly large army of income earners thereby boosting the GDP.

The dependency ratio improves dramatically - there are relatively more hands to earn and fewer mouths to feed.

This is the **first demographic dividend**.

Few Examples: India, Australia, Indonesia etc.



## DEMOGRAPHIC DIVIDEND



A second demographic dividend is also possible.



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With improved health, baby boomers expect to live long and so save large sums for retirement. This higher saving finances additional investment and accelerates GDP growth.

This is the **second demographic dividend**. Few Examples: Brazil, China, USA etc.

In short, the first dividend yields a transitory bonus and the second transforms that bonus into greater assets and sustainable development subject to implementation of effective policies.





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Phase 3:



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In phase 3 of a country's development, the dividend starts disappearing. A growing desire for small families means that the baby boom is followed by a baby bust.

When the baby boomers begin to retire, the proportion of non-earning old people rises sharply and tends to reduce the income per head.

Few Examples: Japan, Germany, Russia, Italy etc.



**What is the role of  
policymakers?**





## DEMOGRAPHIC DIVIDEND

The dividend period can only be considered as a window of opportunity rather than a guarantee of improved standards of living.

Only when a country capitalizes on the resources and uses them effectively will the economy benefit.

If right policies are not in place, a demographic dividend can turn into a demographic disaster.



## DEMOGRAPHIC DIVIDEND



Hope you have understood the concept of Demographic Dividend.



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